

*Office Memorandum* • UNITED STATES GOVERNMENT

TO : Assistant Deputy Director (Administration)

DATE: 30 December 1952

FROM :

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SUBJECT: Report on Negotiations with Group Hospitalization, Inc.

1. GHI will not agree to sharing the expenses (including salaries) of administering this insurance program and will commit themselves only to "considering cost sharing or rate reduction after a year's experience."

2. However, as our subsidy of  and office space is certainly justified by security considerations, as GHI will agree to termination on three months prior written notice, as there are no legal objections, and, more important, as this is an interim measure in the development of an all-inclusive insurance program, I would recommend approval.

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3. If this is approved, both arrangements for office space and the recruitment of personnel should be started.

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<b>CENTRAL INTELLIGENCE AGENCY</b> <b>OFFICIAL ROUTING SLIP</b> <div style="position: absolute; right: 0; top: 0; font-size: 2em; transform: rotate(-15deg); font-family: cursive;">13-2044</div>			
TO		INITIALS	DATE
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FROM		INITIALS	DATE
1	Office of General Counsel	<i>PHR</i>	
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<div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"><input type="checkbox"/> APPROVAL</div> <div style="width: 33%;"><input type="checkbox"/> INFORMATION</div> <div style="width: 33%;"><input type="checkbox"/> SIGNATURE</div> <div style="width: 33%;"><input type="checkbox"/> ACTION</div> <div style="width: 33%;"><input type="checkbox"/> DIRECT REPLY</div> <div style="width: 33%;"><input type="checkbox"/> RETURN</div> <div style="width: 33%;"><input type="checkbox"/> COMMENT</div> <div style="width: 33%;"><input type="checkbox"/> PREPARATION OF REPLY</div> <div style="width: 33%;"><input type="checkbox"/> DISPATCH</div> <div style="width: 33%;"><input type="checkbox"/> CONCURRENCE</div> <div style="width: 33%;"><input type="checkbox"/> RECOMMENDATION</div> <div style="width: 33%;"><input type="checkbox"/> FILE</div> </div> <p style="margin-top: 10px;"><b>REMARKS:</b> <i>I have reviewed the attached memorandum from Asst Gen. Counsel and the memorandum of understanding between the US Govt, G EHA, and G HI and concur in the provisions as drafted.</i></p> <div style="border: 1px solid black; width: 200px; height: 30px; margin: 10px auto;"></div> <div style="display: flex; justify-content: space-between; font-weight: bold; margin-top: 10px;"> <span>SECRET</span> <span>CONFIDENTIAL</span> <span>RESTRICTED</span> <span>UNCLASSIFIED</span> </div>			

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19 December 1952

MEMORANDUM FOR: Assistant Deputy Director (Administration)

SUBJECT: Report of Negotiations with Group Hospitalization, Inc.

REFERENCES: (A) Memorandum to Deputy Director (Administration) from Assistant Director (Personnel), Hospitalization and Surgical Insurance for CIA Personnel, dated 27 August 1952.

(B) Memorandum to Comptroller and General Counsel from Assistant Deputy Director (Administration), Contract With Group Hospitalization, Inc., dated 4 November 1952.

1. Pursuant to reference (B), the Comptroller and the General Counsel designated [ ] to conduct negotiations with Group Hospitalization, Inc. Messrs. Rawlins and Callow who previously had been granted security clearances conducted negotiations in behalf of GHI. This will confirm that negotiations were conducted jointly by the aforesaid representatives of the Comptroller and the General Counsel with the following basic objectives:

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a. The production of a contract which would reflect a cost-sharing arrangement between GHI and CIA.

b. A provision in the proposed contract which would allow cancellation on the initiative of CIA within a reasonable time limit.

Objective (a) was not achieved for reasons advanced in the succeeding paragraphs. Mutual agreement was reached on objective (b). The originally proposed Memorandum of Understanding has been revised to reflect additional matters discussed in the course of negotiations. These matters are covered in the revised Memorandum of Understanding which is attached and presented in accordance with the stipulation of the ADD/A in reference (B).

2. [ ] and I informed the GHI representative that under the terms of the proposed Memorandum of Understanding the insurance program would be based on the principle of self-administration, with CIA through its employee group administering all of the details pertaining

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to the plan, including the maintenance of records, settlement of claims, keeping of rosters, and other actions incident to such a program. It was therefore emphasized that, in our opinion, a normal consequence of a self-administered program would be some cost-sharing arrangement, however reflected. The representatives of GHI stated that the position of CIA was appreciated but inasmuch as GHI rates are based on a community pattern, a cost-sharing arrangement would be contrary to their established policies and practices. The GHI representatives stated further that the Board of Directors had received similar proposals in the past but had unanimously decided against cost-sharing or rate-reduction programs because of the necessity to evaluate each such program on a particularized basis. It was the opinion of GHI that the proposed arrangements caused more of a disruption to existing GHI procedures than would the introduction of a new CIA group on a conventional basis. Following additional discussion of this point, GHI was asked if it would concede the possibility of cost saving from the self-administered program. The possibility was conceded. However, it was clear that any commitment would be opposed at this time by the Board of Directors and would only serve to raise a problem in connection with self-administered programs which the GHI Board of Directors had accepted only with apparent reluctance.

3. We expressed our disappointment in not being able to arrive at a commitment of present or future application and stated that since the possibility of cost saving had been conceded, the minimum requirement satisfactory to CIA would be a statement of intention to be incorporated as a part of the Memorandum of Understanding to enable an easier approach to the problem at a later date. This was acceptable to GHI, at which point the discussions were concluded.

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Assistant General Counsel

CONCUR:

*Concur:*

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Chief, ~~d~~&L Branch*27 December 1952*

Attachment:

Memorandum of Understanding

OGC /JBK:nib

Distribution:

Orig - Addressee      1 - AD/P  
1 - Comptroller      2 - OGC

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